
PRELICENSING EDUCATION

Educational Objectives

California Life-Only Agent Examination

OVERVIEW

For purposes of the prelicensing curriculum and examination, the successful applicant is defined as an individual of an agency or an insurer. Passing the examination is the completion of an important first step of a lifetime of insurance education and experience for this person. Twenty hours of life-only agent prelicensing education must at a minimum include the material in these objectives.

Section 1677 of the California Insurance Code (CIC) requires that the Life-Only agent examination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has sufficient knowledge of insurance and insurance laws.

Effective January 1, 2008, California Insurance Code Sections regarding the Life-Only agent license were amended to include provisions for a “Life-Only” agent license. Specifically, Section 1626 (a) (1) defines a Life-Only Agent licensee as authorized to transact insurance coverage on human lives, including benefits of endowment and annuities, and may include benefits in the event of death or dismemberment by accident and benefits for disability income.

The new Life-Only agent will be introduced and trained to sell and service the less complex types of business first and the other lines later. Sufficient knowledge is what this new life-only agent needs to know at the start of one’s career.

- (1) With the most Specific Basic knowledge required in including:
 - * basic life-only insurance concepts and principles
 - * responsibilities and authority of a life-only insurance agent
 - * commonly written life-only insurance products
 - * senior insurance products
 - * ethics and insurance code
 - * insurance coverage on human lives
 - * benefits of endowment and annuities
 - * benefits in the event of death or dismemberment by accident
 - * benefits for disability income insurance
- (2) With a general understanding of:
 - * commonly used non-insurance disability systems
 - * social life and disability insurance programs
 - * what is happening in today's marketplace
- (3) In addition, this license authorizes the transaction of insurance coverage on:

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- * Credit Life - A policy can pay off or reduce the balance of a loan or accumulated debt in the event of the insured's death.
 - * Fixed Annuities – Contracts offering a guaranteed rate of interest and a guaranteed return of principal for the term of the contract.
 - * Funeral And Burial - Specific life insurance policies or annuities having an initial face amount of fifteen thousand dollars (\$15,000) or less that are designated by the purchaser for the payment of funeral and burial expenses.
 - * Group Life - Life Insurance provided for members of a group. It is most often issued to a group of employees but may be issued to any group provided it is not formed for the purpose of buying insurance. The cost is lower than for individual policies because administrative expenses per life are decreased, there are certain tax advantages, and measures taken against adverse selection are effective.
 - * Insurable Interest - A life insurance policy on someone else's life.
 - * Permanent Life - A type of life insurance that includes both a death benefit and a cash value component.
 - * Temporary Life – This product provides death protection for a stated time period or term.
 - * Universal Life – This product is a flexible-premium, adjustable benefit life insurance policy that accumulates account value. The flexibility of this policy allows the insured to change the amount of insurance as the needs for insurance change.
 - * Variable Annuities - Issued by insurance companies, they give the investor the flexibility to select from a variety of investment fund options. Earnings are tax deferred. The Life Agent must have registration with the National Association of Securities Dealers Financial Industry Regulatory Authority to transact in California.
 - * Variable Life - A form of whole life insurance providing death benefits and/or cash values based on a tax-deferred investment portfolio.
- (4) The insurance examination does not measure No prelicensing or continuing education course shall include sales training, motivational training, self-improvement training, or training offered by insurers or agents regarding new products or programs (CIC Section 1749.1[b]).

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EDUCATIONAL OBJECTIVES

~~The educational objectives are statements of what an applicant must do, under what conditions, and how well to demonstrate sufficient knowledge to pass the licensing examination.~~

The educational objectives are derived from the following pages. They are derived from the curriculum outline contained in Title 10, Chapter 5, Subchapter 1, Article 6.5, Section 2187.1 of the California Code of Regulations (CCR). ~~The purpose of these objectives is to:~~

~~Express clearly what an applicant must be able to do to show an acceptable level of mastery of each educational objective.~~

ETHICS AND CALIFORNIA INSURANCE CODE AND ETHICS

The educational objectives for Ethics and California Insurance Code and Ethics are incorporated in the following pages. The individual objectives may be identified by "(CIC XXXX)" or "(Ethics)" or "(Code)." References to "Code" or "CIC" in the educational objectives mean the California Insurance Code. The "General" Ethics and California Insurance Code educational objectives that apply to all lines of authority appear in Appendix A at the end of this document. The 12 hours of required Ethics and California Insurance Code education must at a minimum include the material in Appendix A.

THE EXAMINATION

~~Examination questions are based on the educational objectives. Mastery of the educational objectives should guarantee success on the examination.~~

~~All percentage distributions shown for sections of the Educational Objectives are plus or minus one percent.~~

The applicant for an accident and health life-only agent license will, without any aids (e.g. reference materials, electronic aids): meet the following requirements.

~~He or she will~~ Correctly answer a minimum of 70 percent of the questions on the California Department of Insurance Accident and Health. ~~The examination during the~~ will be one and a half hour (or 90 minutes) ~~allowed for the and will be a~~ 75-question multiple-choice examination.

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Examinations are administered at the following locations beginning at 8:30 a.m. and 1:00 p.m., Monday through Friday except on state holidays:

Sacramento:

California Department of Insurance
Examination Site
320 Capitol Mall,
1st Floor
Sacramento, California 95814

Los Angeles:

California Department of Insurance
Examination Site
300 South Spring Street, North Tower,
Suite 1000
Los Angeles, California 90013

San Francisco:

California Department of Insurance
Examination Site
45 Fremont Street
22nd Floor
San Francisco, California 94105

San Diego:

California Department of Insurance
Examination Site
1350 Front Street
Room 4050
San Diego, California 92101

Check-in is at 8:10 a.m. for the 8:30 a.m. examination, and check-in is at 12:40 p.m. for the 1:00 p.m. examination.

In addition, the California Department of Insurance offers a license examination that is usually administered on two Saturdays of the month. This examination is held at the following location:

Clovis:

California Department of Insurance
Examination Site
San Joaquin College of Law
901 Fifth Street,
MCLE Room 213
Clovis, California 93612

Note that this examination begins at 8:30 a.m. and check-in time for this examination is 8:00 a.m.

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For additional information on license examinations (i.e. online examination scheduling, fingerprint requirements, examination admittance and forms of identification, check your scheduled examination date, check your examination results), please review the following link:

<http://www.insurance.ca.gov/0200-industry/0010-producer-online-services/0200-exam-info/index.cfm>

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- I. GENERAL INSURANCE (30 percent of questions)
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 - 3. Insurers
 - 4. Market Regulation – General
 - 5. Fair Claims Settlement Practices Regulations
- II. LIFE INSURANCE (65 percent of questions)
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 - H. Social Insurance System
 - I. Underwriting, Pricing, and Claims
 - J. Financial Structure of Insurers
- ~~III. DISABILITY INSURANCE~~ LIFE POLICY RIDERS (5 percent questions)
 - ~~A. Disability Income and Other Riders~~

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I. GENERAL INSURANCE (30 percent)

I. A. Basic Insurance Concepts and Principles

1. Be able to identify examples of insurance (as defined [CIC 22]).
2. Be able to recognize the definition of risk.
3. Be able to differentiate between a pure risk and a speculative risk.
4. Be able to identify a definition of peril.
5. Be able to identify a definition of hazard.
6. Be able to differentiate between moral, morale, and physical hazards.
7. Be able to identify the definition of the law of large numbers.
8. Be able to identify a definition or the correct usage of the term loss exposure.
~~(a) — Be able to identify risk situations that present the possibility of a loss.~~
9. Be able to identify risk situations that present the possibility of a loss.
10. Be able to recognize the requisites of an ideally insurable risk.
11. Be able to identify the definition of insurable events (CIC 250).
12. Be able to identify and apply the definition of insurable interest, and indemnity, and be able to recognize the applicability of these terms to a given situation.
13. Be able to identify why private insurers underwrite the insurance applications they receive.
14. Be able to identify the meaning of adverse selection and profitable distribution of exposures.
15. Be able to identify:
a. — the Fair Credit Reporting Act;
b. — Medical Information Bureau.

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I. GENERAL INSURANCE

I. B. Contract Law

1. Be able to identify and compare contract law and tort law.
2. Be able to identify the four major elements of a contract
 - a. agreement, offer and acceptance;
 - b. competent parties;
 - c. legal purpose; and
 - d. consideration.
3. Be able to identify the meaning and effect of the following special characteristics of an insurance contract:
 - a. contract of adhesion;
 - b. conditional contract;
 - c. aleatory;
 - d. unilateral;
 - e. personal;
 - f. utmost good faith;
 - g. indemnity.
4. Be able to identify the term “insurance policy” (CIC 380).
5. Be able to identify the meaning and effect of each of the following on a contract:
 - a. fraud (CIC 338, 1871.1 - 1871.4);
 - b. concealment (CIC 330-339);
 - i. Be able to identify information that does not need to be communicated in a contract: (CIC 333)
 - (1) known information
 - (2) information that should be known
 - (3) information which the other party waives
 - (4) information that is not material to the risk
 - c. warranty (CIC 440-445, 447);
 - i. know that a representation in an insurance contract qualifies as an implied warranty.
 - d. materiality (CIC 334);
 - i. know that the materiality of concealment is the rule used to determine the importance of a misrepresentation.
 - e. representations (CIC 350-361);
 - i. know when a representation can be altered or withdrawn (CIC 355)

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- ii. know that a representation is false when the facts fail to correspond with its assertions or stipulations (CIC 358).
- f. misrepresentation (CIC 780-784).
- 6. Be able to identify six required specifications for all insurance policies (CIC 381).
 - a. know that the financial rating of the insurer is not required to be specified in the insurance policy (CIC 381).
- 7. Be able to identify:
 - a. the meaning of the term rescission;
 - b. when an insurer has the right of rescission (CIC 331, 338, 359, 447).
 - i. know that either intentional or unintentional concealment entitles an injured party to rescission of a contract. (CIC 331)
- 8. Given an insurance situation, be able to identify the following terms correctly:
 - a. application, policy, rider;
 - b. cancellation, lapse, renewal and non-renewal, grace period;
 - c. rate/premium, earned and unearned premium;
~~(1) — know the price of insurance for each exposure unit is called the rate.~~
 - d. preferred, standard, and substandard risk.
- 9. Be able to identify the requirements of:
 - a. the Fair Credit Reporting Act;
 - b. Medical Information Bureau.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C1. Distribution Systems

- 1. Be able to identify a definition of the following marketing systems:
 - a. agency;
 - b. direct response;
 - c. ~~Managing General Agent;~~
 - 1. ~~Know that an MGA can be any person, firm, association, partnership, or corporation that manages all or part of an insurer's business (including a separate division, department or underwriting office);~~
 - 2. ~~Know that an MGA acts as an agent and produces and underwrites gross direct written premium equal to or more than 5 percent of the~~

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policyholder surplus as reported in the insurer's last annual statement and either:

a. ~~adjusts or pays claims in excess of an amount determined by the Commissioner, or;~~

b. ~~negotiates and binds ceding reinsurance on behalf of the insurer (CIC 769.81[c]).~~

c. home service.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C2. Producers

1. Given a situation involving the legal relationship of a life-only agent and either a principal (an insurer or agency principal) or an insured/applicant, be able to assess:
 - a. the legal relationship;
 - b. the responsibilities and duties of each;
 - c. the effect of the types of authority an agent may have (express, implied, or apparent).
2. With regard to the underwriting of applicants and/or insureds, be able to:
 - a. identify a producer's responsibilities;
 - b. differentiate between the limitations placed on insurer pre-selection and post-selection activities.
3. Be able to identify a definition of the following:
 - a. life-only agent (CIC 1622);
 - b. life and disability analyst (CIC 32.5).
4. Be able to differentiate between a life agent and a life analyst (CIC 32, 32.5, 1831-1849).
5. Be able to identify the Code definition of transact and why the definition is important (CIC 35, 1621-1624, 1631, 1633).
6. Be able to identify:
 - a. that the Code prohibits certain actions by unlicensed persons (CIC 1631);
 - b. the penalty for such ("[a]" above) prohibited actions (CIC 1633).
7. Written Consent in Regards to Interstate Commerce (Prohibited Persons in Insurance):

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- a. Be able to identify what conduct is prohibited by Title 18 United States Code Section 1033.
 - b. Be able to identify what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034.
- 8. Be able to identify the differences between the terms "agent" and "broker" with respect to their relationship with insurers and with their insureds.
 - a. insurance agent means a person authorized, by and on behalf of an insurer, to transact all classes of insurance other than life insurance (CIC 31).
 - b. insurance broker means a person who, for compensation and on behalf of another person, transacts insurance other than life with, but not on behalf of, an insurer (CIC 33).
 - c. know that there is no life broker or health broker.
- 9. Be able to identify the Code provisions regarding a life-only agent acting as an agent for an insurer for which the agent is not specifically appointed (CIC 1704.5).
- 10. Be able to recognize:
 - a. the differences between the authority of an agent and a solicitor;
 - b. that there is no such license as "life solicitor." (CIC 1704[d])
 - c. that an insurance solicitor is a natural person employed to aid an insurance agent or insurance broker in transacting insurance other than life (CIC 1624).
- 11. For Insurance Agent's Errors & Omissions insurance, be able to identify:
 - a. the types of coverages available;
 - b. the types of losses commonly covered and not covered;
 - c. the need for the coverage.
- 12. Be able to identify acts prohibited (unless a surplus lines broker) with regard to nonadmitted insurers (CIC 703).
- 13. Be able to identify the prohibitions of free insurance (CIC 777.1).
- 14. Be able to identify the Code requirements for the following:
 - a. an agency name, use of name (CIC 1724.5, 1729.5);
 - b. change of address (CIC 1729);
 - c. records (CIC 10508);
 - d. filing license renewal application (CIC 1720);

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- e. printing license number on documents (CIC 1725.5);
 - f. ~~know the duties of a co-partnership whose membership has changed.~~
Note: to return the old license with signatures of the original members to the commissioner is not one of those duties (CIC 711).
15. Be able to identify the records a life agent must maintain (CIC 10508-10508.5).
16. Be able to identify the requirements applicable to an agent for life insurance policy illustrations (CIC 10509.950-10509.965).
17. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license (CIC 1666, 1668-1669, 1738).
18. Be able to identify the importance and the scope of the California Insurance Code regarding:
- a. the filing of a notice of appointment to transact Life insurance (CIC 1704, 1705);
 - b. the filing of a notice of appointment to transact Disability insurance (CIC 1673, 1704-1705);
 - c. an inactive license (CIC 1704a).
 - d. cancellation of a license by the licensee in the licensee's possession or in the employer's possession (CIC 1708).
19. Be able to identify the scope and effect of the Code regarding termination of a (producer's) license, including when producers dissolve a partnership (CIC 1708-1712.5).
20. Be able to identify and apply:
- a. the definition of the term "fiduciary;"
 - b. producer fiduciary duties described in the Code (CIC 1733 -1735).
21. Be able to identify the continuing education (CE) requirements for:
- a. a life-only agent (CIC 1749.3);
 - b. an agent writing Long Term-Care Insurance (CIC 10234.93);
 - c. agents writing California Partnership coverage must meet California long-term care requirements and training requirements on the California Partnership for Long-Term Care.
The total hours of CE required are not increased by b. or c.
 - d. life-only agents or an accident and health agents and also licensed as a fire and casualty broker-agent must complete 25 hours of training in the

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- first four 12-month periods for either license.
- e. a life-only agent who sells annuity products to individual consumers must complete:
 - i. eight (8) hours of initial training prior to soliciting for sales;
 - ii. four (4) hours of subsequent training every two years prior to license renewal. (CIC 1749.8)
22. Be able to identify the definition of an administrator (CIC 1759).
23. Concerning a Life and Disability Insurance Analyst license, be able to identify:
 - a. the licensing requirements (CIC 1836);
 - b. requirements and prohibitions for charging fees (CIC 1848).
24. Know that the interpretation of policy provisions is not a primary objective of insurance regulation.

The following Educational Objective is derived from the codes of ethics and California Insurance Code of major industry organizations and is the basis for life-only examination questions.

25. Be able to identify and apply the meaning of the following:
 - a. place the customer's interest first;
 - b. know your job - and continue to increase your level of competence;
 - c. identify the customer's needs and recommend products and services that meet those needs;
 - d. accurately and truthfully represent products and services;
 - e. use simple language; talk the layman's language when possible;
 - f. stay in touch with customers and conduct periodic coverage reviews;
 - g. protect your confidential relationship with your client;
 - h. keep informed of and obey all insurance laws and regulations;
 - i. provide exemplary service to your clients;
 - j. avoid unfair or inaccurate remarks about the competition.
26. Be able to identify that the California Insurance Code (CIC) and the California Code of Regulations (CCR) identify many unethical and/or illegal practices, but they are NOT a complete guide to ethical behavior (~~CIC/CCR~~).
27. Be able to identify special ethical concerns that may occur when dealing with Senior Citizens regarding pretext interviews (CIC 791.03).

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27. Be able to identify the alterations an agent may make to an applicant's written disability application (CIC 10382).

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C3. Insurers

1. Be able to differentiate between:
 - a. admitted and nonadmitted insurers (CIC 24-25);
 - b. domestic, foreign and alien insurers (CIC 26-27, 1580).
2. Be able to identify the functions of the following major operating divisions of insurers: Marketing or Sales, Underwriting, Claims, and Actuarial.
3. Be able to identify that a primary insurer is the insurance company who transfers its loss exposure to another insurer in a reinsurance transaction.
4. Be able to differentiate between regulation of an admitted insurer and nonadmitted insurer, and the potential consequences for consumers (CIC 24, 25, 1760 through 1780);
5. Be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority (CIC 703)
6. Be able to identify who may be an insurer (CIC 150).
 - a. person, association, organization, partnership, business trust, limited liability company or corporation (CIC 19).
7. Be able to differentiate between Mutual, Stock and Fraternal insurers.
 - a. know that de-mutualization is a process whereby a mutual insurer becomes a stock company (CIC 11535).
8. Be able to identify the meaning of post-claims underwriting and what Code restrictions apply (CIC 10384).

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C4. Market Regulation – General

1. Be able to identify:

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- a. the California Insurance Code (CIC) and how it may be changed (Code);
 - b. the California Code of Regulations (CCR Title 10, Chapter 5) and how it may be changed (Code);
 - c. how the insurance commissioner is selected and the responsibilities of the position (CIC 12900, 12921).
2. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties (CIC 790-790.10).
3. ~~Be able to identify the correct application of the Insurance Information and Privacy Protection Act regarding practices, prohibitions and penalties (CIC 791-791.26).~~
Be able to identify the privacy protection provisions of:
 - a. the Gramm-Leach-Bliley Act
 - i. Be able to explain the rules regarding the collection and disclosure of customers' personal financial information by financial institutions;
 - ii. Be able to identify the requirements for all financial institutions to design, implement and maintain safeguards to protect customer information.
 - b. The California Financial Information Privacy Act (SB 1)
 - c. Insurance information and Privacy Protection Act regarding practices, prohibitions and penalties (CIC 791-791.26);
 - d. Cal-GLBA/"California Financial Information Privacy Act" Section 4050 CA Financial Code.
4. Be able to identify the scope and correct application of the conservation proceedings described in the Code (CIC 1011, 1013, 1016).
5. Be able to define an insolvent insurer (CIC 985).
 - a. Know the definition of Paid-in Capital (CIC 36 & 985);
 - b. Know that it is a misdemeanor to refuse to deliver any books, records, or assets to the Commissioner once a seizure order has been executed in an insolvency proceeding (CIC 1013).
6. Be able to identify the purpose and scope of the Code concerning the California Life and Health Insurance Guarantee Association (CLHIGA) (CIC 1067.02[a][1], 1067.02[b][1]).
7. Be able to identify the basic coverages and exclusions of CLHIGA (CIC 1067 through CIC 1067.18).

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8. Be able to identify:
 - a. common circumstances that would suggest the possibility of fraud;
 - b. efforts to combat fraud (CIC 1872, 1874.6, 1875.8, 1875.14, 1875.20, 1877.3[b](1));
 - c. that if an insured signs a fraudulent claim form, the insured may be guilty of perjury.
9. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the Code (CIC 1871, 1871.4).
10. Be able to identify the requirements for:
~~(a) discontinuance and replacement of Group Disability Insurance;~~
 - a. discontinuance of Group Life Insurance (CIC 10128.1-10128.4).
11. Be able to identify discriminatory practices prohibited by the California Insurance Code (CIC 10140-10145).
~~(a) know that it would be a discriminatory practice for an insurer to refuse to accept, charge higher premiums for, or provide different terms of insurance when a potential applicant for a disability insurance policy is shown to have a genetic characteristic which could contribute to the person's disability (CIC 10140[b]).~~
12. Be able to identify the meaning of (as used in the CIC):
 - a. shall and may (CIC 16);
 - b. person (CIC 19).
13. Be able to identify the requirements for notice by mail (CIC 38).

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C5. Fair Claims Settlement Practices Regulations

1. Be able to identify a definition of the following:
 - a. Claimant, CCR Title 10, 2695.2(c);
 - b. Notice of Legal Action, CCR Title 10, 2695.2(o);
 - c. Proof of Claims, CCR Title 10, 2695.2(s);
2. Be able to identify File and Record Documentation, CCR Title 10, 2695.3;
3. Be able to identify Duties Upon Receipt of Communications, CCR Title 10 2695.5;

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4. Be able to identify Standards for Prompt, Fair and Equitable Settlements, CCR Title 10, 2695.7(a), (b), (c), (g), and (h).

II. LIFE INSURANCE (65 of questions)

II. A. Life Insurance - Basics

1. Be able to identify examples or definitions of:
 - a. life-only insurance;
 - b. applicant, policy owner, insured, beneficiary.
2. Be able to identify the elements of the personal financial planning process:
 - a. identify overall financial objectives;
 - b. develop and implement (including use of risk management techniques) a plan to accomplish the objectives.
3. Be able to identify the major components of the personal (non-property/liability) risk management process identifying, quantifying, and treating loss exposures
 - a. identified and quantified by:
 - i. human life value approach or
 - ii. needs approach.
 - b. treated by:
 - i. avoidance;
 - ii. retention;
 - iii. sharing;
 - iv. reduction;
 - v. transferring.
4. Be able to identify the following business uses of life-only insurance:
 - a. key person insurance;
 - b. buy-sell insurance;
 - c. split dollar.
5. Be able to identify what is meant by the term limit of liability in a life-only policy.
6. Be able to identify when insurable interest is required to exist under life insurance policies (CIC 10110).
7. Be able to identify:
 - a. the term mortality;
 - b. the term mortality table including how it is developed.

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8. Be able to identify the meaning of the statement "Life insurance creates an immediate estate."

II. LIFE INSURANCE

II. B. Types of Life Policies

1. Be able to differentiate between the following types of life insurance policies:
- par and non-par;
 - ordinary, industrial (home service), group.

2. Be able to identify which of an applicant's needs each of the following general classes of policies might best fulfill:

- term;
- endowment;
- whole life;
- universal life;
- variable life.

Take into consideration the various types of premium payment plans (single premium, limited pay, modified pay, level, fixed vs. flexible, guaranteed @ initial level vs. initial and maximum premium tables, etc.) where applicable, for each type of policy.

3. Be able to differentiate between common modes of premium payment.

- single premium;
- limited pay;
- modified pay;
- level;
- fixed vs. flexible;
- guaranteed at initial level vs. initial and maximum premium tables.

4. Be able to identify which of an applicant's needs each of the following special policies or riders might fulfill and why needed:

- mortgage redemption;
- family protection, family policy, family rider;
- joint life (1st to die, Last to die)

know the following concerning survivorship life insurance:

offers premiums that are quite low compared with those that would be charged for separate policies;

well situated to meet the need for cash to cover estate taxes;

- face amounts are usually more than one million dollars.

- policies linked to indexes;
- juvenile policies (including Jumping Juvenile, Payor Rider).
- return of premium policies

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5. Be able to identify the following types of term products:
- a. level term;
 - b. renewable term;
 - c. convertible term;
 - d. decreasing term;

II. LIFE INSURANCE

II. C. Annuities

1. Be able to identify a definition of an:
- a. annuity;
 - b. annuitant;
 - c. owner;
 - d. beneficiary.
2. Be able to identify the business and personal uses for annuity products.
3. Be able to identify and differentiate between:
- a. immediate and deferred annuities, including single-premium-deferred and flexible premium-deferred;
 - b. fixed and variable annuities;
 - c. accumulation period and annuity period;
 - d. general account vs. separate account;
 - e. qualified vs. non-qualified annuities;
 - f. group vs. individual annuities;
 - g. equity index annuities;
 - h. market value adjusted annuities;
 - i. tax sheltered annuities (403b);
 - j. individual retirement annuities (IRAs);
 - k. Roth IRAs.
4. Be able to identify and differentiate between benefit payment options:
- a. pure and straight life, refund life, installments certain;
 - b. joint-life and joint-and-survivor annuities.
5. Be able to identify the following:
- a. the relevant information to be obtained in making recommendations to a senior consumer;
 - i. occupation and occupational status;
 - ii. marital status;

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- iii. age;
 - iv. number and type of dependents;
 - v. sources of income;
 - vi. yearly income;
 - vii. the consumer's existing insurance;
 - viii. the consumer's insurance needs and objectives;
 - ix. the cost to the consumer and the consumer's ability to pay for the proposed transaction or transactions;
 - x. source of funds to pay premiums;
 - xi. investment savings;
 - xii. liquid net worth;
 - xiii. tax status;
 - xiv. need for tax advantages;
 - xv. investment experience of the consumer;
 - xvi. consumer concern for preservation of principle;
 - xvii. product time horizon; and
 - xviii. the consumer's awareness of liquidity limitations or surrender charges.
- b. the standards for determining whether agent's recommended transactions meet senior consumer's insurance needs and financial objectives.
6. Be able to identify the rules regarding the sale to seniors of the types of insurance (CIC 785-789.10).

II. LIFE INSURANCE

II. D. Life Insurance and Annuities - Policy Replacement *and* Cancellation

1. Be able to identify the insured's rights to cancel a recently purchased life policy, when insured is:
- a. age 60 or over;
 - b. less than 60 years of age (CIC 10127.9-10127.10).
 - c. during the free-look period, know what the investment requirements are (CIC 10127.10)
2. Be able to identify the requirements and penalties of the "Replacement of Life Insurance and Annuity Policies" article (CIC 10509 -10509.09).
(a) Know the responsibilities of an agent who replaces an existing life insurance contract (CIC 10509.4).
3. Know what types of disclosures are required if the applicant requests an immediate investment of funds (CIC 10127.10).

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4. During the free-look period, know what the investment requirements are (CIC 10127.10).

II. LIFE INSURANCE

II. E. The *Individual* Life Insurance Contract

1. Regarding life insurance applications, be able to identify:
 - a. the types of information required on the application
 - b. a "non-medical application" and why a medical examination may be required
 - c. required signatures
 - d. changes to the application
 - e. why insurers attach the application to a life policy and why it becomes part of a life policy.
2. Be able to identify the life insurance policy disclosures:
 - a. requirements for using supplemental illustrations
 - b. buyers guide
 - c. cost indexes
3. Regarding insurable interest, be able to identify the requirements for the:
 - a. policyowner;
 - b. beneficiary;
 - c. facility of payment provision
4. Regarding the life insurance policy, be able to identify:
 - a. the types of information recorded on the policy title page
 - b. that there are no "standard" life policies (unlike fire and casualty insurance)
 - c. premium payment mode (annual, semiannual, monthly, etc.)
5. Regarding policy delivery, be able to identify:
 - a. conditional receipt vs. binding receipt
 - b. temporary insurance agreement
 - c. temporary term
 - d. be able to identify the acceptable methods for delivery of a life policy to the owner of the policy (CIC 10113.6).
 - e. delivery receipt
6. Be able to identify the following "common provisions" of life policies:
 - a. entire contract

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- b. insuring clause
 - c. free look
 - d. consideration clause
 - e. owner's rights, including:
 - i. assignment or transfer of policy:
 - (1) know how viatical settlements are effected through the use of absolute assignment
 - (2) stranger-originated life insurance (STOLI) arrangements
 - ii. selecting or changing payment mode;
 - iii. selecting or changing beneficiaries;
 - iv. conversion privilege;
 - v. cash values;
 - vi. dividends or excess interest credits;
 - vii. surrender charges
 - viii. self funding
 - f. beneficiary designations, including:
 - i. eligible beneficiaries
 - ii. primary and secondary (contingent)
 - iii. common disaster clause (Uniform Simultaneous Death Act)
 - iv. spendthrift clause
 - v. revocable vs. irrevocable
 - vi. be able to identify which method used to designate beneficiaries (spouse, children) best serves the needs of a policyowner in common situations
 - vii. be able to identify the rights of the following, after the insured's death: beneficiaries and creditors
 - g. grace period
 - h. automatic premium loan
 - i. reinstatement (including why reinstating a lapsed policy might be wiser for a policyowner than purchasing a new policy)
 - j. policy loan
 - k. incontestability
 - l. suicide
 - m. misstatement of age or sex
7. Be able to list and explain the three Non-forfeiture Options:
- a. cash surrender
 - b. reduced paid up
 - c. extended term
8. Be able to identify the various Settlement Options and why each might be

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selected

- a. lump sum
- b. fixed amount
- c. fixed period
- d. life income
- e. interest only

9. Be able to describe the types of Dividend Options available to insureds, including:
- a. cash payments
 - b. accumulation at interest
 - c. paid-up additions
 - d. reduced premium payment
 - e. one-year term
10. Common Policy Exclusions
- a. war
 - b. aviation

II. LIFE INSURANCE

II. F. Taxation of Life Insurance and Annuity - Premium and Proceeds

1. Be able to identify how life and annuity policies receive favorable tax treatment regarding:
- a. premium payments;
 - b. cash value accumulation or dividends;
 - c. death benefit proceeds;
 - d. surrender and mature policy values;
 - e. annuity payments to the beneficiary.
 - f. group life insurance
 - g. 1035 exchanges
2. Be able to identify the (Internal Revenue Service) definition of Modified Endowment Contract, including what effect this might have on a policyholder.

II. LIFE INSURANCE

II. G. Employee Benefit Plans--Life

1. Be able to differentiate between the basic characteristics of group and individual policies concerning:
- a. requirements for medical examinations and eligibility;

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- b. an insurance policy vs. master contract vs. certificate of insurance;
 - c. employer as beneficiary;
 - d. insured's premium:
 - i. basis;
 - ii. relative cost;
 - iii. payment (contributory and non-contributory)
~~(a) — know that the employee pays all or part of the costs in a contributory group insurance plan.~~
 - e. classifications of insureds; ~~/ allowable benefits levels~~
 - f. allowable benefits levels;
 - g. selection of coverage;
2. Be able to identify the regulatory requirements for group insurance:
- a. eligible groups and insureds (CIC 10202);
 - b. dependents of insured employees (CIC 10203.4);
 - c. types of life policies and premiums (CIC 10200);
 - d. incontestability (CIC 10206);
 - e. exclusions for war, military, and aviation risk (CIC 10206.5);
 - f. misstatement of age (CIC 10208);
 - g. certificate of insurance (CIC 10209);
 - h. conversion privilege (CIC 10209);
 - i. conversion period coverage (CIC 10209);
 - j. blanket life insurance (CIC 10220, 10222);
 - k. domestic partnership (CIC 10121.7)
3. Concerning retirement plans, be able to identify the key points regarding:
- a. qualified plans (e.g. Keogh, IRA, TSA, SEP, 401K, Roth IRA, education IRA) and non-qualified plans;
 - b. thrift funds and thrift accounts
 - c. defined benefit plans and defined contribution plans;
 - d. profit sharing plans;
 - e. government regulation regarding
 - i. non-discrimination;
 - ii. vesting;
 - iii. fully funded.
 - f. tax aspects - contributions vs. benefits;
 - g. Employee Stock Option Program Ownership Plan (ESOP).

II. LIFE INSURANCE

II. H. Social Insurance System

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1. Be able to differentiate between the characteristics of social and private insurance.
 2. Be able to identify the social security system's requirements to be currently insured vs. fully insured.
 3. Be able to identify the kinds of benefit payments paid and the insured status required for the following types of benefits:
 - a. survivor(s);
 - i. income
 - ii. death benefits
 - b. disability;
 - c. retirement;
 - d. Medicare.
- ~~2. Be able to identify the term blackout period and its effect on the surviving spouse's benefits.~~

II. LIFE INSURANCE

II. I. Underwriting, Pricing, and Claims

1. Underwriting
 - a. Be able to identify the following and their role in the underwriting process:
 - i. Medical Information Bureau;
 - ii. attending physician's statement.
 - iii. know what is required when an applicant reveals conditions that require more information.
 - iv. standard, substandard, preferred risks.
 - v. group vs. individual
 - b. Be able to identify that there are standards established for insurers requiring them to avoid unfair underwriting for the risk of HIV and AIDS in California (CIC 799).
 - c. Be able to identify underwriting on the basis of genetic testing (CIC 10146-10149.1)
2. Pricing
 - a. Be able to identify the following components of an insurer's policy premium:
 - i. mortality cost;
 - ii. insurer expenses;
 - iii. investment return.
 - iv. reinsurance

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- b. Be able to identify the significance, to an insurer, of accurate mortality predictions.
 - c. Be able to identify the advantages and disadvantages of the methods used to compare the cost of life insurance policies.
 - d. Be able to identify the advantages of high retention rates for:
 - i. agents;
 - ii. policyholders;
 - iii. insurers.
 - e. Be able to identify the following regarding the Health Insurance Portability and Accountability Act (HIPAA):
 - i. what the law provides;
 - ii. who is eligible
3. Be able to identify the duties of each concerning payment of claims in the event of loss:
- a. insurer
 - b. insured
 - c. agent

II. LIFE INSURANCE

II. J. Financial Structure of Insurers

1. Be able to identify the NAIC or California life insurer requirements regarding the investment of assets

- 1. Be able to identify:
 - a. earned surplus;
 - b. policy dividends.
- 2. Be able to identify the major financial reports insurers are required to make.

III. DISABILITY INSURANCE LIFE POLICY RIDERS (5 percent of questions)

III. A. Disability Income and Other Riders

- 1. Be able to identify which of an applicant's needs might be fulfilled by each of the following riders or clauses:
 - a. disability income;
 - b. waiver of premium or waiver of monthly deduction;
 - c. accidental death;
 - d. cost of living;

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- e. living need;
- f. option to purchase other insurance (guaranteed insurability);
- g. long-term care; and
- h. annuity riders.

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APPENDIX A

Ethics and California Insurance Code (12 hour) Educational Objectives

The “General” Ethics and California Insurance Code educational objectives that apply to all lines of authority appear below. The 12 hours of required Ethics and California Insurance Code education must at a minimum include the material in Appendix A.

I. GENERAL INSURANCE

I. A. Basic Insurance Concepts and Principles

1. Be able to identify examples of insurance (as defined [CIC 22]).
2. Be able to identify the definition of insurable events (CIC 250).

I. GENERAL INSURANCE

I. B. Contract Law

1. Be able to identify the term “insurance policy” (CIC 380).
2. Be able to identify the meaning and effect of each of the following on a contract:
 - a. fraud (CIC 338, 1871.1-1871.4);
 - b. concealment (CIC 330-339);
 - i. Be able to identify information that does not need to be communicated in a contract: (CIC 333)
 - (1) known information
 - (2) information that should be known
 - (3) information which the other party waives
 - (4) information that is not material to the risk
 - c. warranty (CIC 440-445, 447);
 - i. know that a representation in an insurance contract qualifies as an implied warranty.
 - d. materiality (CIC 334);
 - i. know that the materiality of concealment is the rule used to determine the importance of a misrepresentation.
 - e. representations (CIC 350-361);
 - i. know when a representation can be altered or withdrawn (CIC

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- 355)
 - ii. know that a representation is false when the facts fail to correspond with its assertions or stipulations (CIC 358).
- f. misrepresentation (CIC 780 -784).
- 3. Be able to identify six required specifications for all insurance policies (CIC 381)
 - a. know that the financial rating of the insurer is not required to be specified in the insurance policy (CIC 381).
- 4. Be able to identify:
 - a. the meaning of the term rescission;
 - b. when an insurer has the right of rescission (CIC 331, 338, 359, 447).
 - i. know that either intentional or unintentional concealment entitles an injured party to rescission of a contract (CIC 331).

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C1. Distribution Systems

- 1. Be able to identify a definition of the following marketing systems:
 - a. agency;
 - b. direct response;
 - c. ~~Managing General Agent;~~
 - i. ~~Know that an MGA can be any person, firm, association, partnership, or corporation that manages all or part of an insurer's business (including a separate division, department or underwriting office);~~
 - ii. ~~Know that an MGA acts as an agent and produces and underwrites gross direct written premium equal to or more than 5 percent of the policyholder surplus as reported in the insurer's last annual statement and either:~~
 - (1) ~~adjusts or pays claims in excess of an amount determined by the Commissioner, or;~~
 - (2) ~~negotiates and binds ceding reinsurance on behalf of the insurer (CIC 769.81[c]).~~
 - c. home service.

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I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C2. Producers

1. Be able to identify the Code definition of transact and why the definition is important (CIC 35, 1621-1624, 1631, 1633).
2. Be able to identify what constitutes transaction of insurance (CIC 35):
 - a. solicitation, (CIC 35[a]);
 - b. negotiation, (CIC 35[b]);
 - c. execution of a contract of insurance (CIC 35[c]);
 - d. Transaction of matters subsequent to and arising out of a contract of insurance (CIC 35[d]).
3. Be able to identify:
 - a. that the Code prohibits certain actions by unlicensed persons (CIC 1631);
 - b. the penalty for such ["(a)" above] prohibited actions (CIC 1633).
4. Written Consent in Regards to Interstate Commerce (Prohibited Persons in Insurance):
 - a. Be able to identify what conduct is prohibited by Title 18 United States Code Section 1033.
 - b. Be able to identify what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034.
5. Be able to identify the differences between the terms agent and broker with respect to their relationship with insurers and with their insureds.
 - a. insurance agent means a person authorized, by and on behalf of an insurer, to transact all classes of insurance other than life insurance (CIC 31).
 - b. insurance broker means a person who, for compensation and on behalf of another person, transacts insurance other than life with, but not on behalf of, an insurer (CIC 33).
 - c. know that there is no life broker or health broker
6. Be able to identify the Code provisions regarding an accident and health agent acting as an agent for an insurer for which the agent is not specifically appointed (CIC 1704.5).
7. Be able to differentiate between an insurance agent, an insurance broker and an insurance solicitor (CIC sections 31, 1621, 33, 1623, 34, and 1624).

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8. For Insurance Agent's Errors & Omissions insurance, be able to identify:
 - a. the types of coverages available;
 - b. the types of losses commonly covered and not covered;
 - c. the need for the coverage.
9. Be able to identify acts prohibited (unless a surplus lines broker) with regard to nonadmitted insurers (CIC 703).
10. Be able to identify the prohibitions of free insurance (CIC 777.1).
11. Be able to identify the Code requirements for the following:
 - a. an agency name, use of name (CIC 1724.5, 1729.5);
 - b. change of address (CIC 1729);
12. Be able to identify the rules regarding fictitious names (CIC 1724.5).
13. Be able to identify the rules regarding Internet advertisements, (CIC 1726 [a]).
14. Be able to identify the licensee's duty for disclosure of the effective date of coverage (CIC 1730.5).
15. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license (CIC 1666, 1668-1669, 1738).
16. Be able to identify the importance and the scope of the California Insurance Code regarding:
 - a. the filing of a notice of appointment (CIC 1673, 1704-705);
 - b. an inactive license (CIC 1704a).
 - c. cancellation of a license by the licensee in the licensee's possession or in the employer's possession (CIC 1708).
17. Be able to identify the scope and effect of the Code regarding termination of a (producer's) license, including when producers dissolve a partnership (CIC 1708-1712.5).
18. Be able to identify and apply:
 - a. the definition of the term "fiduciary;"
 - b. producer fiduciary duties described in the Code (CIC 1733 -1735).
19. Be able to identify the continuing education (CE) requirements for:

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- a. agents (CIC 1749.3);
- b. an agent writing Long Term Care Insurance (CIC 10234.93);
- c. agents writing California Partnership coverage must meet California long-term care requirements and training requirements on the California Partnership for Long-Term Care.
The total hours of CE required are not increased by b. or c.
- d. life-only agents or an accident and health agents and also licensed as a fire and casualty broker-agent must complete 25 hours of training in the first four 12-month periods for either license.

The following Educational Objective is derived from the codes of ethics of major industry organizations and is the basis for licensing examination questions.

- 1. Be able to identify and apply the meaning of the following:
 - a. place the customer's interest first;
 - b. know your job - and continue to increase your level of competence;
 - c. identify the customer's needs and recommend products and services that meet those needs;
 - d. accurately and truthfully represent products and services;
 - e. use simple language; talk the layman's language when possible;
 - f. stay in touch with customers and conduct periodic coverage reviews;
 - g. protect your confidential relationship with your client;
 - h. keep informed of and obey all insurance laws and regulations;
 - i. provide exemplary service to your clients;
 - j. avoid unfair or inaccurate remarks about the competition.
- 2. Be able to identify that the California Insurance Code (CIC) and the California Code of Regulations (CCR) identify many unethical and/or illegal practices, but they are NOT a complete guide to ethical behavior (CIC, CCR).
- 3. Be able to identify special ethical concerns that may occur when dealing with Senior Citizens regarding pretext interviews (CIC 791.03).

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C3. Insurers

- 1. Be able to differentiate between:
 - a. admitted and nonadmitted insurers (CIC 24-25);
 - b. domestic, foreign, and alien insurers (CIC 26-27, 1580);

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2. Be able to differentiate between regulation of an admitted insurer and nonadmitted insurer, and the potential consequences for consumers (CIC 24, 25, 1760 through 1780);
3. Be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority, (CIC 703**~~6~~**).
4. Be able to identify who may be an insurer (CIC 150).
 - a. person, association, organization, partnership, business trust, limited liability company or corporation (CIC 19).
5. Be able to differentiate between Mutual, Stock and Fraternal insurers.
 - a. know that de-mutualization is a process whereby a mutual insurer becomes a stock company (CIC 11535).

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C4. Market Regulation - General

1. Be able to identify:
 - a. the California Insurance Code and how it may be changed (Code);
 - b. the California Code of Regulations (CCR Title 10, Chapter 5) and how it may be changed (Code);
 - c. how the insurance commissioner is selected and the responsibilities of the position (CIC 12900, 12921).
2. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties (CIC 790-790.10).
3. Be able to identify the privacy protection provisions of:
 - a. the Gramm-Leach-Bliley Act
 - i. Be able to explain the rules regarding the collection and disclosure of customers' personal financial information by financial institutions;
 - ii. Be able to identify the requirements for all financial institutions to design, implement and maintain safeguards to protect customer information.
 - b. The California Financial Information Privacy Act (SB 1)
 - c. Insurance information and Privacy Protection Act regarding practices, prohibitions and penalties (CIC 791-791.26);
 - d. Cal-GLBA/"California Financial Information Privacy Act" Section 4050 CA

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Financial Code.

4. Be able to identify the scope and correct application of the conservation proceedings described in the Code (CIC 1011, 1013, 1016).
5. Be able to define an insolvent insurer (CIC 985):
 - a. the definition of an insolvent insurer includes either:
 - i. Any impairment of minimum "paid-in capital" or "capital paid in," as defined in Section 36, required in the aggregate of an insurer by the provisions of this code for the class, or classes, of insurance that it transacts anywhere;
 - ii. An inability of the insurer to meet its financial obligations when they are due;
 - b. know that an insurer cannot escape the condition of insolvency by being able to provide for all its liabilities and for reinsurance of all outstanding risks. An insurer must also be possessed of additional assets equivalent to such aggregate "paid-in capital" or "capital paid in" required by this code after making provision for all such liabilities and for such reinsurance (CIC 985.[a] [1 and 2]);
 - c. know the definition of Paid-in Capital (CIC 36 and 985);
 - d. know that it is a misdemeanor to refuse to deliver any books, records, or assets to the Commissioner once a seizure order has been executed in an insolvency proceeding (CIC 1013).
6. Be able to identify:
 - a. common circumstances that would suggest the possibility of fraud;
 - b. efforts to combat fraud (CIC 1872, 1874.6, 1875.8, 1875.14, 1875.20, 1877.3[b][1]);
 - c. that if an insured signs a fraudulent claim form, the insured may be guilty of perjury.
7. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the Code (CIC 1871, 1871.4).
8. Be able to identify the meaning of (as used in the CIC):
 - a. shall and may (CIC 16);
 - b. person (CIC 19).
9. Be able to identify the requirements for notice by mail (CIC 38).

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I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C5. Fair Claims Settlement Practices Regulations

1. Be able to identify a definition of the following:
 - a. Claimant, CCR Title 10, 2695.2(c);
 - b. Notice of Legal Action, CCR Title 10, 2695.2(o);
 - c. Proof of Claims, CCR Title 10, 2695 2(s);
2. Be able to identify File and Record Documentation, CCR Title 10, 2695.3;
3. Be able to identify Duties Upon Receipt of Communications, CCR Title 10, 2695.5;
4. Be able to identify Standards for Prompt, Fair and Equitable Settlements, CCR Title 10, 2695.7(a), (b), (c), (g), and (h).